

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 SAM-01 OES-06

SP-02 SS-15 STR-04 TRSE-00 FEA-01 PA-02 PRS-01 /110 W

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R 271555Z APR 76

FM AMONSUL HALIFAX

TO SECSTATE WASHDC 1294

INFO AMEMBASSY OTTAWA

UNCLAS HALIFAX 0166

E.O. 11652:N/A

TAGS: ENRG

SUBJECT: NOVA SCOTIA ENERGY MINISTER CAMPAIGNS FOR  
FEDERAL OIL SUBSIDY

REF: HALIFAX TEL 161

1. IN PREPARATION FOR THE FIRST MINISTERS  
MEETING IN EARLY MAY TO DISCUSS ENERGY MATTERS,  
NOVA SCOTIA'S MINISTER OF MINES AND ENERGY,  
DR. WILLIAM GILLIS, HAS HELD TALKS WITH ENERGY  
MINISTERS IN QUEBEC, ONTARIO, MANITOBA, SASKATCHAWAN  
AND ALBERTA. HE REPORTS THAT HE FOUND A GENERALLY  
SYMPATHETIC EAR WITH REGARD TO THE POSITION THAT  
NOVA SCOTIA WILL TAKE ON OIL PRICES.

2. ALTHOUGH HIS COUNTERPARTS UNDERSTOOD THE  
CRITICAL EXTENT TO WHICH NOVA SCOTIA RELIED ON  
OIL FOR POWER GENERATION, THEY WERE GENERALLY  
NON-COMMITTAL ON THE IDEA OF A SPECIAL SUBSIDY,  
PARTLY BECAUSE THE MINISTERS WERE NOT IN A POSITION  
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TO COMMIT THEIR GOVERNMENTS. EACH MINISTER PROMISED

DR. GILLIS TO REPORT NOVA SCOTIA S CASE TO THEIR RESPECTIVE CABINETS. THERE WAS NEITHER OUTRIGHT REJECTION NOR SUPPORT FOR NOVA SCOTIA S PLEAS FOR AN INTERIM SUBSIDY FOR THE NEXT FOUR OR FIVE YEARS IF THE PRICE OF CRUDE OIL MOVES CLOSER TO THE WORLD LEVEL OF 12.50 A BARREL FROM THE PRESENT 8.00 FIGURE

3. THE MINISTER FOUND THE FIVE PROVINCES POSITIONS OF THE PRICE OF OIL VARIED. MANITABA S OPPOSES ANY INCREASE WHILE ALBERTA ASSERTS THAT THE HIGHEST POSSIBLE INCREASE IS NECESSARY. QUEBEC AND ONTARIO WERE PREPARED TO ACCEPT A BLENDED PRICE WHEREBY DOMESTIC PRICES WOULD BE DETERMINED BY A MIXTURE OF OLD OIL, NEW OIL AND IMPORTED OIL PRICES. SASKATCHEWAN ADVOCATED ALLOWING OIL TO BE SOLD AT WORLD PRICES, BUT PUTTING ALL REVENUE ABOVE THE 8 DOLLAR LEVEL INTO A SPECIAL ENERGY SECURITY FUND FOR FURTHER EXPLORATION AND DEVELOPMENT TO BE ADMINISTERED BY A FEDERAL-PROVINCIAL BODY. ONTARIO PREFERRED MAKING SUCH REVENUES AVAILABLE TO OIL COMPANIES FOR EXPLORATION .

4. DR. GILLIS STRESSED THAT HE DID NOT INTEND THE PROPOSED SUBSIDY FOR NOVA SCOTIA SHOULD COME DIRECTLY FROM ALBERTA BUT SHOULD COME FROM FEDERAL REVENUES.

5. FOLLOWING HIS TOUR D HORIZON WITH HIS FELLOW MINISTERS, DR. GILLIS CONCLUDED THAT QUOTE THE DOOR IS NOT CLOSED UNQUOTE TO NOVA SCOTIA S REQUEST FOR AN INTERIM FEDERAL SUBSIDY ON OIL. HE EXPRESSED HOPE THAT THE FEDERAL GOVERNMENT WOULD COME THROUGH WITH SPECIAL AID IF THE PRICE GOES OVER THE 8 LEVEL.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PROVINCE, PETROLEUM, MINISTER COUNSELORS, MEETINGS, SUBSIDIES, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 APR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976HALIFA00166  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Line Count:** 98  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ellisoob  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 AUG 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31 AUG 2004 by cookms>; APPROVED <01 SEP 2004 by ellisoob>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NOVA SCOTIA ENERGY MINISTER CAMPAIGNS FOR FEDERAL OIL SUBSIDY  
**TAGS:** ENRG, CA, (GILLIS, WILLIAM)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006